Supreme Court, U.S.
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No. 99-502

In The

Supreme Court of the United States

DONALD E. NELSON,

Petitioner,

v.

ADAMS USA, INC. and
APEHEAD MANUFACTURING, INC.,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTION PRESENTED

As more fully discussed in the body of this Brief in Opposition, Respondents object to Question 1 as presented by Petitioner in its entirety. Respondents also object to Question 2 as worded. The more appropriate question is as follows:

Whether an individual patent applicant who engaged in inequitable conduct may be joined as a party and held liable for attorneys' fees in litigation instituted by his corporation to enforce patents obtained as the fruits of the inequitable conduct, and if so, whether the District Court abused its discretion when it allowed such joinder.

PARTIES TO THE PROCEEDING

The Petition accurately lists the parties to this proceeding.

There is no parent or publicly held company owning 10% or more of the stock of Respondent Adams USA, Inc.

There is no parent or publicly held company owning 10% or more of the stock of Respondent Apehead Manufacturing, Inc.

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COUNTERSTATEMENT OF THE CASE

This is a patent infringement lawsuit involving processes Petitioner, Donald E. Nelson, claimed to have invented. Petitioner is the president and sole shareholder of Ohio Cellular Products, Inc. ("OCP") which instituted this litigation against Respondents, Adams USA, Inc. and Apehead Manufacturing, Inc., hereinafter collectively referred to as "Adams". Petitioner was later individually joined as a third-party defendant.

By *summary judgment*, the District Court invalidated the patents in issue (the "Nelson patents"), finding as a matter of law that every step in the processes covered by the patents was taught in a preexisting patent issued to Michel Marc, which patent was regularly referred to by the courts below as the " '037 patent" or the "Marc patent". (See, e.g., Appendices to Petition for Cert. at p. 59).

In the *first appeal* in this action, the United States Court of Appeals for the Federal Circuit affirmed the summary judgment invalidating the Nelson patents. See *Ohio Cellular Products v. Adams USA, Inc.*, 104 F.3d 376 (table), 41 USPQ2d 1538 (full opinion) (Fed. Cir. 1996) (*"Appeal I"*). No review was sought of that Federal Circuit decision.

While the first appeal was pending, the District Court had under submission Adams' motion for an attorneys' fee award pursuant to 35 U.S.C. §285. The motion was based, *inter alia*, on Petitioner's personal violation of the "duty of candor" imposed on patent applicants. This duty obligates an applicant for a patent to fully disclose all known pertinent preexisting technology which might

have any bearing on whether the U.S. Patent and Trademark Office (the "PTO") should allow an application to issue as a U.S. patent. A violation of this duty of candor is typically referred to as "inequitable conduct".

The factual basis of Adams' "inequitable conduct" claim was that (1) Petitioner had actual knowledge of the preexisting Marc process; (2) Petitioner failed to fully disclose that information to the PTO; and (3) Petitioner intended to mislead the PTO.

Following the conclusion of the first appeal, the District Court sustained Adams' motion for attorneys' fees, finding as follows:

> Applying those principles to the issue here presented, the Court finds that Plaintiff failed to disclose material information of which it was aware, the '037 patent, although it disclosed less relevant prior art. . . . Plaintiff unilaterally determined not to disclose the '037 patent, although it was on notice that the applied-for patent might be covered, rather than allowing the patent examiner to determine whether the '037 patent was material. . . . These facts support a finding that Plaintiff's conduct toward the PTO in prosecuting its patents was inequitable, and the Court so finds.

(Appendices to Petition for Cert. at p. 53.)

The lower courts also explicitly found it was Petitioner himself who personally committed this inequitable conduct:

> Nelson, as an inventor of the '702 patent and president and sole shareholder of Ohio Cellular, was intimately involved in the prosecution of

> the '702 patent and his conduct was the sole basis for the district court's conclusion that Ohio Cellular committed inequitable conduct. *See, e.g., Ohio Cellular Prods. Corp. v. Adams USA, Inc.*, No. 3:94-CV-7251, slip op. at 8 (N.D. Ohio Sept. 25, 1997) ('[T]he Court finds that Donald Nelson knew [of the pertinent prior technology]. . . . Nelson did not disclose that information to the PTO . . . , although he knew the information was material. The Court finds further that Nelson's conduct manifests a sufficiently culpable state of mind to warrant a determination that it resulted from an intent to mislead the PTO.').

Ohio Cellular Products Corporation v. Adams USA, Inc., 175 F.3d 1343, 1346 (Fed. Cir. 1999) (*"Appeal II"*). (Found also in Appendices to Petition for Cert. at p. 20.)

Following the finding of inequitable conduct adequate to support a fee award, but shortly before the District Court quantified the extent of the award, OCP's attorneys indicated that, unless Adams agreed to accept a nominal amount, OCP would be rendered nearly insolvent. Based on that threat, Adams sought and obtained leave of the District Court (1) to join Petitioner individually as a party; and (2) for judgment against him individually. In support of that motion, Adams argued that the inequitable conduct was solely committed by Petitioner, and that by reason of his control, ownership, and privity with OCP, Petitioner was collaterally estopped to deny the finding he personally committed the pertinent inequitable conduct.

Implicitly finding such privity between Petitioner and his corporation as to collaterally estop Petitioner from challenging the finding of fact that he personally

committed the inequitable conduct, the District Court noted as follows:

> In a judgment rendered on February 12, 1997, and reaffirmed on September 25, 1997, this Court, granted the motion for attorney fees on the sole ground that Plaintiff had engaged in inequitable conduct before the PTO. That finding was grounded in a factual determination that Plaintiff's president and sole shareholder, Donald Nelson, had intentionally failed to disclose to the PTO the existence of a material piece of prior art, Patent No. 4,524,037, held by Michael Marc.

(Appendices to Petition for Cert. at pp. 71-72; see also p. 74.)

Specifically as to his privity, the court found as follows:

> Nelson had every reason to believe from the moment that Plaintiff corporation instituted this action that every penny the corporation spent would be a penny out of his own pocket. Further, Nelson has been actually aware of and involved in this litigation from its outset; he was the motivating force behind the institution of the lawsuit. He has diligently – even fiercely – acted to protect his interests at every stage of the proceedings.

(Appendices to Petition for Cert. at p. 74.)

Accordingly, the District Court found "Nelson was personally responsible for the tortious conduct that led to the Plaintiff corporation's liability. Therefore, he is subject to personal liability for that conduct." (Appendices to Petition for Cert. at p. 75.)

In the *second appeal*, the appeal taken by Petitioner challenging the amendment joining him as a party, the Federal Circuit accepted the District Court's factual finding of inequitable conduct, noting as follows:

> The district court concluded that, during the prosecution of the '702 patent, Nelson, who denied it at the evidentiary hearing on the issue, had withheld material prior art from the United States Patent and Trademark Office with the intent to deceive. The judgment that Ohio Cellular committed inequitable conduct is not here disputed.

Appeal II, supra at 1345. (Found also in Appendices to Petition for Cert. at p. 19.)

In the second appeal, the Federal Circuit also affirmed the finding that Petitioner was personally liable for the inequitable conduct, noting as follows:

> Finally, as the person solely responsible for the inequitable conduct and as a president and sole shareholder of Ohio Cellular, Nelson should have known he could be held personally liable. *See Hughes v. Novi Am., Inc.*, 724 F.2d 122, 125-26, 220 USPQ 707, 710 (Fed. Cir. 1984) (holding the inventor, former president and majority shareholder of assignee of patents liable for attorney fees for his own inequitable conduct); *Fletcher Cyclopedia of the Law of Private Corporations* §1143 (1994) ('A corporate officer or agent who commits fraud is personally liable to a person injured by the fraud. In other words, an officer of a corporation, actively participating in the fraud practiced by it, cannot escape personal liability on the ground the officer was acting for the corporation. . . . *The corporation also may be*

> *liable, but the individual is not thereby relieved of his or her own responsibility.'* (emphasis added)).

Appeal II, supra at 1350. (Found also in Appendices to Petition for Cert. at pp. 27-28.)

As is clear from the above, Petitioner was not held liable for the actions of others through any "piercing of the corporate veil", nor was liability otherwise "imputed" to him. Quite to the contrary, Petitioner was held personally accountable for wrongdoing he himself committed. As emphasized by the Federal Circuit:

> It is important to note that Defendants were not required to "pierce the corporate veil" in order to add Nelson as a party. "In general, a corporate officer is personally liable for his tortious acts, just as any individual may be liable for a civil wrong. This general rule 'does not depend on the same grounds as piercing the corporate veil,'. . . . " *Hoover Group, Inc. v. Custom Metalcraft, Inc.*, 84 F.3d 1408, 1411, 38 USPQ2d 1860, 1861-62 (Fed. Cir. 1996) (citations omitted); *see also Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1579, 1 USPQ2d 1081, 1090 (Fed. Cir. 1986) ("[O]fficers of a corporation are personally liable for tortious conduct of the corporation if they personally took part in the commission of the tort. . . . ")

Appeal II, supra at 1349 n.6. (Found also in Appendices to Petition for Cert. at p. 26.)

Petitioner objected to the amendment both in the District Court and on appeal, essentially claiming the amendment constituted an abuse of discretion because of

undue delay. (See Petitioner's Brief on Appeal.) Disagreeing, the Federal Circuit held "[c]onsidering all the circumstances of record here, we discern no abuse of discretion in the district court's grant of Defendants' motion to amend and no clear error in the district court's factual findings." *Appeal II, supra* at 1349. (Found also in Appendices to Petition for Cert. at p. 27.)

Petitioner now *concedes* the District Court did not abuse its discretion allowing the amendment joining him individually as a party.

> Petitioner does not here challenge the liberal pleading provisions of the Federal Rules of Civil Procedure, and does not challenge the district court's decision to grant respondents leave to (1) amend their complaint (2) join petitioner as a new party defendant and (3) to do so after judgment had been rendered.

(See Petition for Cert. at p. 7.)

Petitioner now raises new grounds for challenging the amendment and bases its Petition for Certiorari on issues *wholly distinct* from the issues presented below in the appeal court.

OBJECTION TO CONSIDERATION OF FIRST QUESTION PRESENTED

In his Petition for Certiorari to this Court, Petitioner sets forth his first question presented as follows:

> Whether a United States District Court, consistent with the Federal Rules of Civil Procedure

> and the due process clause of the Fifth Amendment to the United States Constitution, can assess attorneys' fees against a non-party pursuant to 35 U.S.C. §285 without first securing service of process upon, and jurisdiction over, that non-party.

Not only does this question ignore that *Petitioner is a party,*[1] it asks the Court to review issues of law and fact not raised in the record on review. Thus, Respondents object to consideration of this question.

More specifically, after the District Court entered the order granting Adams leave to amend the third-party complaint to name Petitioner as a third-party defendant, and to amend the judgment to include Petitioner as an additional party against whom judgment is entered, Petitioner sought review and reconsideration of that decision. Nowhere in that motion did Petitioner raise any objection on Constitutional due process grounds. Rather, Petitioner argued *only* that the District Court had no statutory authority to assess attorneys' fees against him. Similarly, before the Federal Circuit, Petitioner again asserted that there was no express statutory basis for imposing liability for attorneys' fees against him, and also asserted that he was prejudiced by the delay in the joinder.

Now, Petitioner claims he was never served with process and thus was denied due process and precluded from asserting assorted boilerplate defenses, namely (1)

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[1] Despite claiming that he is a "non-party", Petitioner "does not challenge the district court's decision to grant respondents leave to . . . (2) join petitioner as a new party defendant. . . . " (See Petition for Cert. at p. 7.)

lack of personal jurisdiction; (2) some unspecified statute of limitations; (3) laches; and (4) unclean hands.

Nowhere in the record on review did Petitioner ever attempt to assert *any of these defenses*, nor did he ever question the exercise of jurisdiction over him. Rather, the procedural issue presented to the Federal Circuit was essentially limited to whether delay barred the amendment, which assertion Petitioner has now abandoned. (See Petition for Cert. at p. 7.) Recently, Petitioner did file with the District Court a Fed. R. Civ. P. 60(b)(4) motion collaterally attacking the judgment claiming for the first time that he was never personally served with process. (See Petition for Cert. at pp. 6-7.) That motion was filed with the District Court after the Federal Circuit affirmed the fee award against Petitioner. However, what Petitioner neglects to acknowledge is he quickly entered a personal appearance in the District Court challenging the amendment, thus waiving any right to object to the lack of formal service of process. Because Petitioner personally entered his appearance without raising any of the issues now sought to be raised, the District Court recently rejected the collateral attack, holding it to be "meritless". A full text copy of this opinion and order may be found in the Appendix hereto, but, in pertinent part, the District Court noted:

> Nelson's argument is meritless. Courts addressing waiver of objections to personal jurisdiction or service of process have consistently held that those defenses are waived if not raised in a defendant's first significant defensive move. . . .

Defendants moved to add Nelson as a third-party Defendant in this case on February 3, 1998. It is not disputed Nelson had actual knowledge of Defendants' third-party claim. . . . Plaintiff Ohio Cellular Products, which is completely controlled by Nelson, opposed Defendants' motion to add Nelson as a third-party defendant on the merits, without ever raising a challenge to personal jurisdiction or service of process. Nelson personally moved for reconsideration . . . without ever raising a challenge to personal jurisdiction or service of process. Nelson then appealed this Court's decision to the Federal Circuit, and conducted his appeal in his own name for over a year, *without ever raising a challenge to personal jurisdiction or service of process*. . . .

> Since Nelson did not object to either personal jurisdiction or service of process at the proper time, those objections are waived.

(See Appendix hereto at pp. 6-7) (emphasis added).

It is hornbook law that "new questions may not be raised for the first time on Supreme Court review." 17 *Wright and Miller on Federal Practice* §4036 at p. 35 (2d ed. 1988). This Court has reiterated this fundamental precept time and again. For example, in *Browning-Ferris Industries v. Kelco Disposal*, 492 U.S. 257 (1989), Petitioner argued that the Court should review a punitive damages award on the basis that it was violative of due process, claiming that the "due process question [raised before the Court] is within the 'clear intendment' of the objection it has made throughout these proceedings." *Id.* at 276. This Court disagreed, noting:

> Petitioners claim that the due process question is within the 'clear intendment' of the objection it has made throughout these proceedings. Our review of the proceedings in the District Court and the Court of Appeals shows that petitioners' primary claim in both of those courts was that the punitive damages award violated Vermont state law. Petitioners also argued that the award violated the Eighth Amendment. We fail to see how the claim that the award violates due process is necessarily a part of these arguments. We shall not assume that a nonconstitutional argument also includes a constitutional one, and shall not stretch the specific claims made under the Eighth Amendment to cover those that might arise under the Due Process Clause as well. . . . In the absence of a developed record on the issues relevant to this due process inquiry, we shall not stretch the 'clear intendment' doctrine to include this case, as we do not think that the due process question is 'only an enlargement' of the Eighth Amendment inquiry. Although the due process analysis of an award of punitive damages may track closely the Eighth Amendment analysis suggested by petitioners, we shall not assume that to be the case and shall not attempt to decide the question *in the absence of a record on the due process point developed in the District Court and the Court of Appeals*.

Id. at 277 n. 23 (emphasis added).

Similarly, after failing in the District Court and Court of Appeals, Petitioner now presents the new argument that the District Court's actions were inconsistent with due process as guaranteed by the Fifth Amendment of the U.S. Constitution. As this Court recognized in *Browning-*

Ferris Industries, supra, it would be inappropriate to address this issue "in the absence of a record on the due process point developed in the District Court and the Court of Appeals." *Id.*

Ironically, Petitioner laments that "rather than address the due process issues, both the district court and the court of appeals focused their inquiry on the liberal amendment provisions of Fed. R. Civ. P. 15(a). . . . " (See Petition for Cert. at p. 11.) Quite clearly, the District Court and Federal Circuit focused their inquiry on the amendment provisions of the Federal Rules of Civil Procedure because that – and not the "due process" issue now sought to be presented – was the issue raised by Petitioner.

Accordingly, being a newly raised issue outside of the record on appeal, Question 1 of the "Questions Presented" should not be considered.

REASONS FOR DENYING THE WRIT

Both of the questions presented presuppose that Petitioner is a non-party. To the contrary, *Petitioner was made a party*. Indeed, the very decision sought to be reviewed is the decision where he was made a party. Granted, Petitioner was not served with process; however, he had actual notice and, as set forth above, personally entered his appearance to challenge the requested joinder, and thereby waived his right to require formal service of process. (See Appendix hereto.) Furthermore, nowhere in the record on review was any finding sought that he had not been made a party.

Consequently, it would appear the only potentially germane questions presented relate to whether an individual patent applicant who engages in inequitable conduct may be joined as a party and held liable for attorneys' fees in litigation instituted by his corporation to enforce patents obtained as the fruits of the inequitable conduct.

The decision below holding the actual wrongdoer liable was a plainly correct application of settled law. There is no conflict among the Circuits, nor are there any other reasons justifying further review.

The Federal Circuit consistently holds as follows:

> Among the types of conduct which can form a basis for finding a case exceptional are . . . *inequitable conduct before the P.T.O.*, misconduct during litigation, vexatious or unjustified litigation, and frivolous suit.

Amsted Industries, Inc. v. Buckeye Steel Castings Co., 23 F.3d 374, 376 (Fed. Cir. 1994) (quoting *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989) (emphasis added)). See also *Bayer Aktiengeshellschaft v. Duphar Int'l Research B.V.*, 738 F.2d 1237, 1242 (Fed. Cir. 1984) and *Machinery Corporation of America v. Gullfiber AB*, 774 F.2d 467, 472 (Fed. Cir. 1985) ("Such injustice certainly includes situations where a patentee has litigated in bad faith, or committed fraud or other inequitable conduct during prosecution before the Patent and Trademark Office.")

Petitioner committed inequitable conduct and then, as the sole shareholder and president of OCP, sought to enforce the ill-gotten patents. Considering Petitioner's

scienter, the District Court was amply justified in exercising its discretion to assess a fee award to prevent such injustice.

> An applicant's fraud on the Patent Office is enough standing alone to convert his later infringement action into an exceptional case within the meaning of section 285. But conduct short of fraud and in excess of simple negligence is also an adequate foundation for deciding that a patent action is exceptional. Such conduct is a serious breach of the patentee's duty to the Patent Office. *The party who succeeds in invalidating the unlawful patent performs a valuable public service.* It is appropriate under such circumstances to reward the prevailing party by giving him attorney's fees for his efforts, and *it is equally appropriate to penalize in the same measure the patentee* who obtained the patent by his wrongdoing. [citations omitted.]

Monolith Portland Midwest Company v. Kaiser Aluminum & Chemical Corporation, 407 F.2d 288, 294 (9th Cir. 1969) (emphasis added).

Even though Petitioner personally committed the inequitable conduct necessitating the fee award, he now seeks to avoid accountability for his wrongdoing relying on a totally inapposite Supreme Court civil rights case, *Kentucky v. Graham*, 473 U.S. 159 (1985). *Based upon sovereign immunity*, this Court there held that a government employer cannot be joined in a lawsuit and held vicariously liable for a fee award based on torts committed by governmental employees depriving citizens of constitutional rights (i.e. police brutality). In other words, the

Court held that if the government is immune from liability for *damages* associated with the wrongdoing, then it is *also immune* from liability for the associated fee award. *Kentucky v. Graham* did not hold that the person who actually committed the wrongdoing cannot be held accountable for a fee award.

The Federal Circuit correctly construed *Graham*, noting as follows:

> The heart of the issue in *Graham* was whether the government could be held vicariously liable for fees awarded on the basis of acts of its individual employees when they are acting outside the scope of their lawful duties – an issue most definitely not present here.

Appeal II, supra at 1348. (Found also in Appendices for Petition for Cert. at p. 24).

Unlike *Graham*, here we are dealing with simple application of traditional principles of tort liability. It is literally hornbook law that an agent or employee is personally liable for his own wrongdoing regardless of whether that liability can be imputed to the principal. For instance, Professor Prosser notes as follows:

> *Concerted Action*
>
> Where two or more persons act in concert, it is well settled both in criminal and in civil cases that each will be liable for the entire result. Such concerted wrongdoers were considered 'joint tort feasors' by the early common law. In legal contemplation, there is a joint enterprise, and a mutual agency, so that the act of one is the act of all, and liability for all that is done must be visited upon each. . . .

Vicarious Liability

> The liability of a master for the acts of his servant, or that of a principal for those of his agent, within the scope of the employment or agency, stands upon much the same footing. Under the doctrine of respondeat superior, the master becomes responsible for the same act *for which the servant is liable*, and for the same consequences. Again there is no logical basis for any division of damages between the two.

Prosser, *Handbook of the Law of Torts*, 4th ed. §52, pps. 314, 315 (1971) (emphasis added).

Contrary to Petitioner's intimations, this case has nothing to do with piercing the corporate veil to impose liability on corporate owners as a result of the wrongdoing of others. The courts below held Petitioner personally accountable for his own wrongdoing, correctly noting that if an owner or employee of a corporation actually committed the tort for which liability is imputed to the corporation, the individual is jointly liable and accountable for his wrongdoing, whether or not grounds exist for piercing the corporate veil.

> In general, a corporate officer is personally liable for his tortious acts, just as any individual may be liable for a civil wrong. This general rule does not depend on the same ground as 'piercing the corporate veil,'. . . .

Hoover Group, Inc. v. Custom Metalcraft, Inc., 84 F.3d 1408, 1411 (Fed. Cir. 1996). See also *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1579 (Fed. Cir. 1986)

("[O]fficers of a corporation are personally liable for tortious conduct of the corporation if they personally took part in the commission of the tort. . . . ").

Indeed, in *Hoover*, the Federal Circuit specifically noted that a corporate official is jointly liable with the corporation when the wrongdoing was specifically attributable to "culpable intent or bad faith on the part of the officer; or . . . personal commitment of a fraudulent or grossly negligent act." *Hoover, supra* at 1411.

In the patent prosecution context, it is clear that an applicant who commits inequitable conduct, albeit on behalf of a corporate assignee of the invention, is nonetheless accountable for such wrongdoing, and the District Court has discretion to assess the fee award against the individual wrongdoer. For example, in *Hughes v. Novi American, Inc.*, 724 F.2d 122 (Fed. Cir. 1984), Hughes, the patentee, was found to have committed inequitable conduct in association with procuring patents later assigned to a corporate entity. Based in part upon Hughes's inequitable conduct, the District Court found the case to be "exceptional" and assessed a fee award against Hughes individually and Oakwood, the assignee corporation. Reviewing Hughes's appeal of the fee award against him individually, the Federal Circuit noted that "Hughes was guilty of fraud in procuring the patents." *Id.* at 123. Based in part on Hughes's personal involvement in the wrongdoing, the Court found that "[n]o abuse of discretion has been demonstrated with respect to the award against Hughes." *Id.* at 126. See also *Machinery Corp., supra* at 475 ("This court has held that an individual may be assessed fees under §285 if his conduct supports a finding that the case is exceptional.").

At this late juncture, Petitioner now claims that he should be allowed to re-litigate all of the factual issues previously litigated in his capacity as president and sole shareholder of OCP. However, as the record on review reflects, essentially the only argument Petitioner offered below to preclude joining him as a party was his claim that the amendment should be barred because of delay. Nowhere in the record on review did Petitioner seek to re-litigate the finding of fact that he personally committed wrongdoing adequate to justify the fee award, and therefore Petitioner has waived this contention. See *Browning-Ferris Industries, supra*. In any event, as implicitly held by the courts below, because of Petitioner's active participation and control of the litigation and undisputed "privity" with OCP, Petitioner would be collaterally estopped from re-litigating this issue of fact. More specifically, as succinctly stated by this Court,

> a right, question, or fact distinctly put in issue, and directly determined by a court of competent jurisdiction . . . cannot be disputed in a subsequent suit between the same parties *or their privies*. . . .

Montana v. United States, 440 U.S. 147, 153 (1979) (quoting *Southern Pacific R. Co. v. United States*, 168 U.S. 1, 48-49 (1897) (emphasis added)).

Never questioning that he is collaterally estopped from challenging the finding that his personal wrongdoing justified a fee award, Petitioner now relies on *Zenith Corp. v. Hazeltine*, 395 U.S. 100 (1969), which Petitioner misconstrues as holding that joinder post-judgment is not appropriate even if the joined party is precluded from

challenging the findings of fact in the underlying litigation. The key distinction missed by Petitioner is that in *Hazeltine*, unlike in the present case, the judgment obligor was *never* made a party. The actual point recognized there was that "[i]t is elementary that one is not bound by a judgment *in personam* resulting from litigation in which *he is not designated as a party or to which he has not been made a party by service of process.*" *Id.* at 110 (emphasis added). In this case, Petitioner was made a party! Granted, Petitioner was not formally served with process; however, because he personally entered a general appearance, he waived the right to require formal service and thus became fully subject to the jurisdiction of the District Court. (See Appendix hereto.)

In short, hidden behind a cloud of factual contentions and legal arguments not heretofore raised in the record on review, the real issue for which certiorari is sought is whether the District Court abused its discretion in allowing amendment to join Petitioner as a party. The appellate court held that the District Court did not abuse its discretion. This is not the type of issue for which certiorari should be granted.

There is no conflict among the Circuits relating to the pertinent issue. Petitioner claims there are "conflicting Court of Appeals decisions." (See Petition for Cert. at p. 11.) However, the "conflict" alleged by Petitioner is a misperceived conflict *within* the Federal Circuit, not a conflict *among* the Circuits. Because there is no conflict *among* the Circuits, this is not the type of issue for which certiorari should be granted.

Moreover, even the Federal Circuit cases referenced by Petitioner are completely consistent. Petitioner notes that, in *Fromson v. Citiplate, Inc.*, 886 F.2d 1300 (Fed. Cir. 1989), the Federal Circuit allowed post-judgment amendment to join a new party, whereas, in *Datascope Corp. v. SMEC, Inc.*, 964 F.2d 1043 (Fed. Cir. 1992), the Federal Circuit affirmed a District Court finding of undue delay and therefore denial of joinder of a new party. In both cases, however, the Federal Circuit correctly focused on whether any abuse of discretion was committed by the respective District Courts and, based upon the peculiar facts of each, held that there was no such abuse. Thus, even if the Court were inclined to scrutinize an "intra-Circuit" conflict, there is no conflict to resolve.

CONCLUSION

Petitioner's argument that the District Court lacked personal jurisdiction over him because he was not served with process was not raised below, either in the District Court or the Circuit Court. Accordingly, Petitioner has waived that argument and the Court should not consider Petitioner's Question 1.

As to Petitioner's Question 2, the courts consistently hold that an individual may be held personally liable for his own tortious acts committed for the benefit of a corporation. Further, there is no conflict among the Circuits as to whether an award of attorneys' fees may properly be assessed against an individual based on that

individual's inequitable conduct before the PTO. Accordingly, there is no basis for granting certiorari as to Question 2.

For all the foregoing reasons, Respondents respectfully request that the Court deny the Petition for Writ of Certiorari.

Respectfully submitted,

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

OHIO CELLULAR PRODUCTS CORP.,

Plaintiff,

-vs-

ADAMS USA, INC., et al.,

Defendant.

Case No. 3:94 CV 7251

JUDGMENT ENTRY

(Filed Sep. 22, 1999)

KATZ, J.

For the reasons stated in the Memorandum Opinion filed contemporaneously with this entry, IT IS HEREBY ORDERED, ADJUDGED and DECREED that Donald Nelson's motion for relief from judgment (Doc. No. 169) is denied.

/s/ David A. Katz
DAVID A. KATZ
U.S. DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

OHIO CELLULAR PRODUCTS CORP.,

Plaintiff,

-vs-

ADAMS USA, INC., et al.,

Defendant.

Case No. 3:94 CV 7251

MEMORANDUM OPINION

(Filed Sep. 22, 1999)

KATZ, J.

This matter is before the Court on Third-Party Defendant Donald Nelson's motion for relief from judgment pursuant to Federal Rule of Civil Procedure 60(b)(4). For the following reasons, Nelson's motion will be denied.

BACKGROUND

Plaintiff Ohio Cellular Products Corporation ("Ohio Cellular") brought this patent infringement action against Defendants on May 19, 1994. In a judgment rendered on October 11, 1995, this Court found that the patents Plaintiff sought to enforce against Defendants were invalid, and granted Defendants' motion for summary judgment. That finding was subsequently affirmed by the Court of Appeals for the Federal Circuit.

Defendants then moved for attorney fees on the dual grounds that Plaintiff engaged in inequitable conduct before the Patent and Trademark Office ("PTO"), and that Plaintiff engaged in vexatious and/or unjustified litigation. In a judgment rendered on February 12, 1997, and

reaffirmed on September 25, 1997, this Court granted the motion for attorney fees on the sole ground that Plaintiff had engaged in inequitable conduct before the PTO. That finding was grounded in a factual determination that Plaintiff's president and sole shareholder, Donald Nelson, had intentionally failed to disclose to the PTO the existence of a material piece of prior art, Patent No. 4,524,037, held by Michel Marc.

After entry of that judgment, the parties attempted to negotiate the amount of attorney fees. On October 13, 1997, in connection with the fee negotiations, Plaintiff's counsel sent Defendants' counsel a letter stating:

> I am writing to potentially save you some time. The fact is that if the attorney fee award exceeds a very limited amount, you will not collect it because the company will be liquidated. If you wish to discuss a resolution on a nominal basis, please let me know.

The negotiations were not successful. On October 27, 1997, Defendants submitted a fee petition and bill of costs to the Court. On January 20, 1998, this Court granted Defendants' fee petition in the total amount of $178,888.51, exclusive of interest.

On February 3, 1998, Defendants filed a motion to add Nelson as a third-party defendant because they feared that if the judgment was not amended to subject Nelson to individual liability, they would be unable to collect all or most of the fees owed them. This Court granted Defendants' motion on March 25, 1998. On April 8, 1998, Nelson filed a motion to alter or amend that judgment, which this Court denied on May 18, 1998. That

ruling was subsequently affirmed by the Court of Appeals for the Federal Circuit.

Now, after two unsuccessful challenges on the merits at the trial court level, and one unsuccessful challenge at the appellate level, Nelson has filed another motion for relief from the judgment naming him as a third-party defendant in this case. Nelson now argues that the March 25, 1998 judgment was improper, because no complaint was ever filed against him, and because he was not properly served with process.

Defendants have responded to Nelson's motion; Nelson has filed a reply; and Defendants have filed a surreply. The Court discusses the parties' contentions below.

Discussion

Since Nelson filed his motion for relief from judgment outside of the ten-day period specified in Fed. R. Civ. P. 59, the Court must consider it under the significantly higher standard applicable to a motion made under Fed. R. Civ. P. 60(b). Unlike a timely Rule 59 motion, which may be granted "for any of the reasons for which rehearings have heretofore been granted in suits in equity in the courts of the United States," a Rule 60(b) motion may be granted only for certain specified reasons:

> (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud (whether heretofore denominated intrinsic or extrinsic), misrepresentation, or other misconduct of an adverse party; (4) the judgment is void; (5) the judgment has been satisfied, released, or discharged, or a prior judgment upon which it is based has been reversed or otherwise vacated, or it is no longer equitable that the judgment should have prospective application; or (6) any other reason justifying relief from the operation of the judgment.

Fed. R. Civ. P. 60(b). In reviewing a motion made under Rule 60(b), the Court's inquiry is limited to determining whether one of the specified circumstances exists in which Nelson is entitled to reopen the merits of his underlying claims and defenses. *See Feathers v. Chevron U.S.A., Inc.*, 141 F.3d 264, 268 (6th Cir. 1998); *Peake v. First Nat'l Bank & Trust Co.*, 717 F.2d 1016, 1020 (6th Cir. 1983). A motion for reconsideration is not a vehicle whereby a party may present arguments inexplicably omitted in prior proceedings. *Karr v. Castle*, 768 F. Supp. 1087, 1093 (D. Del. 1991), *citing Brambles U.S.A., Inc. v. Blocker*, 735 F. Supp. 1239 (D. Del. 1990).

Nelson has moved for relief under Rule 60(b)(4), arguing that the judgment entered against him is void. A judgment is void "if the court that rendered it lacked jurisdiction of the subject matter, or of the parties, or if it acted in a manner inconsistent with due process of law." *Antoine v. Atlas Turner, Inc.*, 66 F.3d 105, 108 (6th Cir. 1995). Nelson argues that the Court lacked personal jurisdiction over him because no complaint was ever filed against him, and because he was not served with process.

The Federal Rules of Civil Procedure provide that a challenge to personal jurisdiction, insufficiency of process, or insufficiency of service of process is waived if not made in the party's first responsive pleading or motion. Fed. R. Civ. P. 12(h). It is not disputed that Nelson did not, in any of his prior pleadings, make the objections he now seeks to raise.

Nelson argues at length that he should not be held to have waived his objections to personal jurisdiction and service of process, however, because (a) an objection prior to his being added as a third-party defendant in this case would have been premature, and (b) an objection immediately after entry of judgment against him was not required in order to preserve the defense, since the judgment was already void.

Nelson's argument is meritless. Courts addressing waiver of objections to personal jurisdiction or service of process have consistently held that those defenses are waived if not raised in the defendant's first significant defensive move, even if that move is not an answer or motion. *See* 5A Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 1391 (1990); *accord* 2 James Wm. Moore, Moore's Federal Practice §§ 12.22 & 12.33[2] (1997). When a defendant engages in conduct that leads a plaintiff to believe that service is adequate or that he will not interpose a defense to service of process, that defense is waived. *Trustees of Cent. Laborers' Welfare Fund v. Lowery*, 924 F.2d 731, 734 (7th Cir. 1991); *Broadcast Music, Inc. v. M.T.S. Enters., Inc.*, 811 F.2d 278, 281 (5th Cir. 1987); *Benveniste v. Eiseman*, 119 F.R.D. 628, 629-30 (S.D.N.Y. 1988); *accord Continental Bank, N.A. v. Meyer*, 10

F.3d 1293, 1296-97 (7th Cir. 1993) (party that raised personal jurisdiction in answer waived objection to personal jurisdiction by participating in litigation of the merits for over two and one-half years without actively contesting personal jurisdiction); *S.E.C. v. Cherif*, 933 F.2d 403, 416 (7th Cir. 1991) (defendant waived objection to sufficiency of service by failing to raise issue in motion to modify preliminary injunction).

Defendants moved to add Nelson as a third-party Defendant in this case on February 3, 1998. It is not disputed that Nelson has had actual knowledge of Defendants' third-party claim against him since that motion was served on his counsel at that time. Plaintiff Ohio Cellular Products, which is completely controlled by Nelson, opposed Defendants' motion to add Nelson as a third-party defendant on the merits, without ever raising a challenge to personal jurisdiction or service of process. Nelson personally moved for reconsideration of this Court's decision to add him as a third-party defendant on the merits, without ever raising a challenge to personal jurisdiction or service of process. Nelson then appealed this Court's decision to the Federal Circuit, and conducted his appeal in his own name for over a year, without ever raising a challenge to personal jurisdiction or service of process. If Nelson had raised such an objection at the proper time, Defendants could easily have cured whatever defects existed by serving him with process at that time.

Since Nelson did not object to either personal jurisdiction or service of process at the proper time, those objections are waived.

CONCLUSION

For the foregoing reasons, Donald Nelson's motion for relief from judgment is denied.

IT IS SO ORDERED.

/s/ David A. Katz
DAVID A. KATZ
U.S. DISTRICT JUDGE